

The Board of Supervisors adopted the County of San Bernardino's 2003-03 Budget on June 25, 2002. This budget covers the period from July 1, 2002 – June 30, 2003. Each department is responsible for operating within their budget and has the authority to spend up to the approved budget amount. The County of San Bernardino's 2002-03 Budget consisting of the general fund, special revenue funds, capital projects funds, and enterprise funds has a total appropriation of \$2.6 billion.

General Fund Budget Process

The County Administrative Office has the responsibility of developing the county financing plan for all general fund departments. The 2002-03 financing plan included a total of \$319.3 million in discretionary revenue. This revenue is comprised of property taxes, vehicle license fees, interest on the county investment pool, sales tax and other taxes. Mandatory costs such as previously negotiated salary increases, inflation, previous year's Board approved costs and other mandated costs are first financed by the discretionary revenue. After the mandatory costs are financed, the remaining unallocated discretionary revenue is presented to the Board of Supervisors for approval of distribution during the budget workshop. In 2002-03 the amount of unallocated revenue was \$45.1 million.

A budget workshop was held on May 28 and 29, 2002, to discuss each department's proposed budget. Each department submitted a proposed budget based on the general fund financing amount allocated to them and their own departmental revenues. Departments also request funding for those workload and program changes that were unable to be financed in their proposed budget.

The Board of Supervisors approved \$5.7 million in departmental requests during the budget workshop as shown below. These changes were incorporated in the 2002-03 budget that was presented to the Board during the budget and fee hearing in June. The remaining revenue not allocated was \$39.4 million.

BOARD APPROVED CHANGES AT BUDGET WORKSHOP

	Approp	Revenue	Local Cost	Additional Positions
<u>Capital Improvements</u> - Additional Funding	3,587,000		3,587,000	
<u>Debt Service</u> - Additional Funding to Reduce Debt	2,127,436		2,127,436	
TOTAL CHANGES TO SOURCES/USES	5,714,436	-	5,714,436	-

A budget and fee hearing was held on June 17 and 18, 2002, for public input on the county budget and fee ordinance changes and to obtain Board approval on the 2002-03 final budget. During the budget and fee hearings, an additional \$8.2 million was approved and allocated to departmental final budgets. The remaining balance of \$31.2 million was unallocated and set aside for future funding issues such as current salary negotiations, pending legislation, etc. In addition, the Board of Supervisors directed that any fund balance adjustment in the general fund would be made to the appropriations for contingencies. The Board also directed any unspent appropriation in the Priority Policy Needs and any uncommitted appropriation related to the Management Audits be carried forward in their respective budgets units. The fund balance adjustment totaled \$17.8 million. Of this amount, \$15,920,491 was added to contingencies, \$203,219 was carried over for the Management Audits, and \$1,645,204 was carried over to the High Priority Policy Needs.

The following worksheet describes in detail what was approved at the budget and fee hearing.

BOARD APPROVED CHANGES AT BUDGET AND FEE HEARING

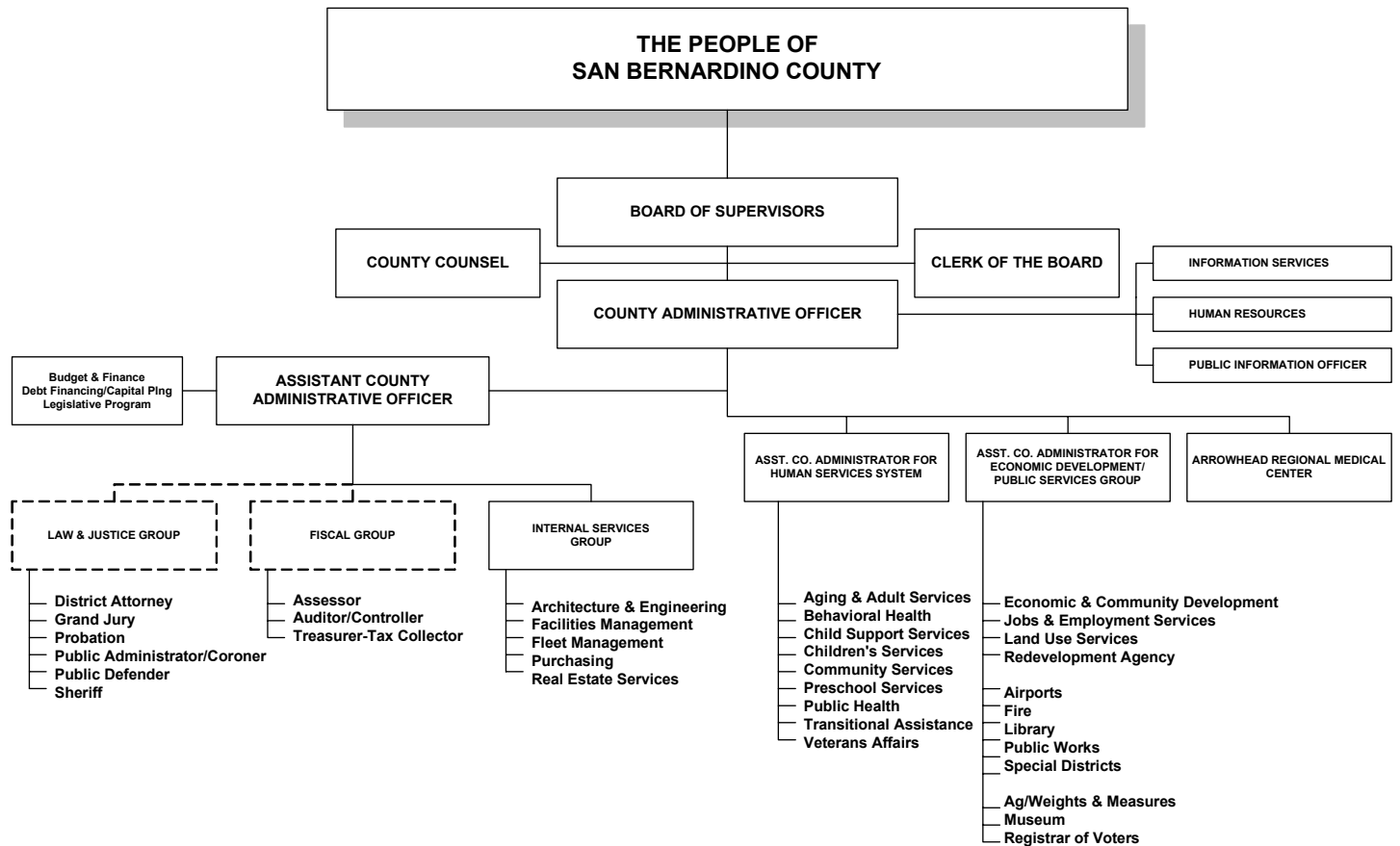
	Approp	Revenue	Local Cost	Add'l Pos.
<u>Airports</u> - fee increases	40,389	40,389	-	
<u>Assessor</u> - fee increases	11,195	11,195	-	
<u>Auditor/Controller-Recorder</u> - fee increases	26,402	26,402	-	
<u>Behavioral Health</u>				
Completion of Capital Improvement Project - Phoenix project	1,674,000	1,674,000	-	
West Valley Juvenile Hall Expansion	349,374	349,374	-	7.0
<u>Clerk Of The Board</u> - fee increases	25,675	25,675	-	
<u>County Museum</u> - fee increases	160,157	160,157	-	2.2
<u>District Attorney</u> - Elder Abuse Program	400,000	-	400,000	6.0
<u>Facilities Management</u> - West Valley Juvenile Hall Expansion	409,876	-	409,876	6.0
<u>Financial Administration</u>				
Separation of the General Plan Update from Advanced Planning into a special revenue fund.	1,000,000	-	1,000,000	
<u>Land Use Services - Advanced Planning</u>				
Separation of the General Plan Update from Advanced Planning into a special revenue fund.	(1,000,000)	-	(1,000,000)	
<u>Land Use Services-Code Enforcement</u> - fee increases	2,200	2,200	-	
<u>Land Use Services - Fire Hazard Abatement</u> - Crest Forest Fire	105,060	105,060	-	1.0
<u>Probation</u> - West Valley Juvenile Hall Expansion	4,930,146	803,771	4,126,375	99.0
<u>Public Health</u> - fee increases	525,255	525,255	-	0.1
<u>Public Works-Regional Parks</u> - fee increases	70,748	70,748	-	
<u>Real Estate Services</u>				
Increase in rents and leases	1,483,006	-	1,483,006	
Increase in offsetting reimbursement of leases	(1,483,006)	-	(1,483,006)	
<u>Sheriff</u>				
Backfill of Prop 172 monies	2,500,000		2,500,000	
COPSMORE 98 Grant	714,000		714,000	12.0
Drug Enforcement Participation Agreement with US DOJ	36,094	36,094	-	
Law Enforcement Contract with City Of Grand Terrace	132,807	132,807	-	1.0
Law Enforcement Contract with City Of Victorville	199,411	199,411	-	2.0
TOTAL CHANGES TO SOURCES/USES	12,312,789	4,162,538	8,150,251	136.3

Other Funds Budget Process

In addition to the general fund, the County of San Bernardino has special revenue funds, capital projects funds, internal service funds and enterprise funds. All of these funds are restricted to the revenue sources they receive. Each department who has these types of funds is responsible for developing its budget based on the revenue resources available to them. These resources include projected revenue to be collected in 2002-03 and any revenue not spent and carried forward from prior years (for example, fund balance for special revenue funds). These budgets were also discussed during the budget workshop and budget and fee hearing. In addition, the Board of Supervisors approved that any fund balance adjustment for special revenue funds would be made to agree to the Auditor/Controller-Recorder's actual fund balance.

Budget Book Format

The County of San Bernardino's 2002-03 Final Budget is presented in this book based on the County Organizational Structure, which is depicted on page 4. The Administrative/Executive Group is those departments that report directly to the Board of Supervisors or those departments that report directly to the County Administrative Office which perform functions related to the overall support of the county. In addition, there is a sample of the departmental budget format on pages 5 and 6 of this Preface that shows and explains how each budget unit is presented in the book. There is also a list of Final Budget Definitions on pages 7-10 of this Preface that defines budget terms commonly used throughout the budget workbook.



OVERVIEW OF BUDGET

DEPARTMENT:
DEPARTMENT HEAD:

The department being described and the responsible administrator are listed at the top.

2002-03

Budget #1
Budget #2
Budget #3
TOTAL

Appropriations	Revenue	Local Cost/ Fund Balance	Staffing
-	-	-	-

BUDGET UNIT: BUDGET UNIT NAME (FUND DEPT)

I. GENERAL PROGRAM STATEMENT

Section I is the General Program Statement which provides a narrative describing the function and activity of the budget in question.

II. BUDGET & WORKLOAD HISTORY

Total Appropriation
Total Revenue
Local Cost
Budgeted Staffing

Actual 2000-01	Budget 2001-02	Actual 2001-02	Budget 2002-03
-	-	-	-

Workload Indicators
Workload Indicator #1
Workload Indicator #2

Section II is the Budget & Workload History, which provides a historical overview of the budget unit, including two years worth of actuals, prior year adopted budget, and the current adopted budget.

It also includes budget and actual information related to measurements of workload, called Workload Indicators.

For those departments that have significant variances between budget and actual in 2001-02, there will be an explanation here of why this occurred. The 2001-02 Budget is the original budget adopted in late June and does not reflect any mid year changes approved by the Board during the fiscal year. In many cases, this is why there are variances between budget and actual in 2001-02.

III. HIGHLIGHTS OF BOARD APPROVED CHANGES TO BUDGET (see attachments for detailed changes)

STAFFING CHANGES

PROGRAM CHANGES

Section III highlights, in narrative form, some of the major changes that are detailed in the following section in a numeric format. Not all departments will have information here, especially if the overall functioning and responsibilities of the department have not changed.

If there are important changes to highlight, they will be broken out into either, or both, of the categories: Staffing changes and Program changes.

GROUP:
DEPARTMENT:
FUND:

The header shows which budget you are looking at and lists the Function and Activity that tie this page to the summary financial schedules at the back of the book.

FUNCTION:
ACTIVITY:

	2001-02 Actuals	2001-02 Approved Budget	2002-03 Board Approved Base Budget	2002-03 Board Approved Changes to Base Budget	2002-03 Final Budget
<u>Appropriations</u>					
Salaries and Benefits					-
Services and Supplies					
Central Computer					
Transfers					
Total Expenditure Authority					
Less:					
Reimbursements					
Total Appropriation					
<u>Revenue</u>					
Taxes					
Other Revenue					
Total Revenue					
Local Cost					
Budgeted Staffing					

Total Changes Included in Board Approved Base Budget

Base Year Adjustments

Salaries and Benefits
Services and Supplies
Central Computer
Full Year Funding
Salaries and Benefits
Services and Supplies

The top part of this section shows detail of changes that are being added to last years adopted budget to create this years "Base Budget," or the starting point from which the budget is built. The detail is then summarized below in the section labeled "A"

Total Appropriation Change	-	
Total Revenue Change	-	
Total Local Cost Change	-	A
Total 2001-02 Appropriation	-	
Total 2001-02 Revenue	-	
Total 2001-02 Local Cost	-	B
Total Base Budget Appropriation	-	
Total Base Budget Revenue	-	
Total Base Budget Local Cost	-	C

The "Changes Included in Base Budget" section shows in detail what changes were made to last years budget to reach the "Board Approved Base Budget" summarized in the previous section.

The three groups of data listed here show: A – the sum of changes, as detailed; B – last years approved budget which is the starting point; and C – the approved base budget, which is the sum of A and B. The numbers in C directly correspond to the "Base Budget" column in the section at the top of this page.

Board Approved Changes to Base Budget

Salaries and Benefits	-
Services and Supplies	-
Central Computer	-
Transfers	-
Total Expenditure Authority	-
Reimbursements	-
Total Appropriation	-
Other Revenue	-
Total Revenue	-
Local Cost	-

This final section shows, in detail by category, the approved changes to the base budget. This could be due to any change in activity by a department including: approved policy items, new program implementation, etc.

This section directly corresponds to the column titled "Board Approved Changes to Base Budget" shown on the section at the top of this page. These changes added to the base budget equal the final adopted budget.

FINAL BUDGET DEFINITIONS

2% Budget Reduction: This year's budget includes a 2% cost reduction that was applied to locally funded departments. This generated \$2.3 million in ongoing revenue to fund future ongoing costs.

2420 One-time Shift: This fiscal year there is a change to the rate structure for charging departments for Central Computer services (object code 2410). This change has resulted in some services that were previously charged under object code 2410 to be charged to object code 2420. The 2420 One-time Shift adjusts the affected departments budgets to reflect this change.

Activity – A component within a fund; usually a specific line of work performed to accomplish a function for which a governmental unit is responsible.

Appropriation: An authorization granted by a legislative body to make expenditures and incur obligations for a specific purpose.

Base Year Adjustments: All non-discretionary budget changes that are factored into the base budget and approved by the Board with the County Administrative Office's financing plan; these include the cost of new mandates and negotiated salary increases.

Board Approved Base Budget: The Board Approved Base Budget reflects the anticipated costs of carrying out the current level of service or activities as authorized by the Board of Supervisors in the prior years. It may include an adjustment for cost increases, but does not include changes in level of service over that authorized by the Board of Supervisors. This year's base budget represents the prior year approved budget plus mandated costs such as salary negotiations (MOU), retirement costs, inflation, risk management liabilities and previous year's mid year Board approved costs.

Budgeted Staffing: The equivalent of full-time positions funded in the budget.

Capital Project Funds: Capital Project Funds are used to account for financial resources designated for the acquisition or construction of major capital facilities other than those financed by Enterprise and Internal Service Funds.

Central Computer: Central Computer expense category is set up specifically to allocate Information Services Department's computer charges to departments based on usage. These are countywide costs for computer infrastructure such as email, wide area network, payroll processing, and software/hardware staff support. Each departmental Central Computer budget amount is estimated at the beginning of the fiscal year by the Information Services Department and is billed based on that estimate. Next year's budget will be adjusted based upon the actual usage of the prior fiscal year.

Contingencies: An amount set aside within a budget for unforeseen expenditure requirements. Board action must be taken to spend contingency funds and requires four votes.

COWCAP: COWCAP is an acronym that stands for County Wide Cost Allocation Plan. It is the method by which indirect support costs for services such as Human Resources, Payroll, Purchasing, etc. are allocated to departments. It is prepared annually by the County Auditor/Controller-Recorder in accordance with the Office of Management and Budget, Budget Circular A-87, which is the guideline for state and federal reimbursements for indirect costs.

Department: A functional division used by County management to group programs of a like nature.

Depreciation: The recording of expiration in the service life of fixed assets attributable to wear and tear, deterioration, action of the physical elements, inadequacy, and obsolescence.

Discretionary Revenue: Revenue not legally designated for a specific purpose or program that can be appropriated at the discretion of the Board of Supervisors.

Employee Health & Productivity Program (EHaP): A modified duty/return to work program that utilizes specialized nurses to obtain effective and timely treatment for injured or ill employees. Overall goals are to return the employee to the workplace as soon as possible and to increase the health and productivity of employees through health promotion and risk reduction programs.

Enterprise Funds: Enterprise Funds are established to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through operational revenues.

Fiscal Year: County accounting period which runs from July 1 through June 30.

Fixed Asset: An asset of a long-term character such as land, buildings, or furniture and other equipment costing \$5,000 or more.

FTE – Full-Time Equivalent: A unit of measure of staff time based upon the number of hours per year a full-time employee is expected to work. For example: if two employees each work half that number of hours per year, those two employees together equal one full-time equivalent.

Function: A group of related activities aimed at accomplishing a major service for which a governmental unit is responsible. This designation is specified by the State Controller. For example: “Public Protection” is the function of the Sheriff’s Department.

Fund Balance: The excess of assets of a special revenue fund over its liabilities, including the cancellation of prior year encumbrances.

GASB 33: GASB 33 is short for Governmental Accounting Standards Board, Statement 33. Statement #33 establishes accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. A nonexchange transaction is where a government gives or receives value without directly receiving or giving value in return. Some examples of nonexchange transactions are taxes, grants, fines, donations, and state and federal funding.

The main change is revenue must be recognized for the above transactions when the underlying exchange has occurred or when eligibility requirements are met. Therefore, money that is received under this criteria and is being put aside in trust funds must be recognized when received and trust funds that are not fiduciary in nature must be eliminated.

GASB 34: GASB 34 is short for Governmental Accounting Standards Board, Statement 34. Statement #34 establishes new requirements for the annual financial reports of state and local governments. The goal is to make annual reports easier to understand and more useful to people who use governmental financial information to make decisions.

There are many components of GASB 34, but as it relates to the budget, it is primarily composed of how services provided between county budget units are accounted for. GASB 34 specifies how payments for services should be accounted for, i.e. either as reimbursements or as revenues. While the net impact is zero, reclassifications between these two categories cause inconsistencies when comparing year-to-year budgets by specific expense or revenue categories. In situations where this impact is significant, the departments have included an explanation of the reclassification.

General Fund: The General Fund is used to account for resources traditionally associated with government which are not accounted for in a specific fund to satisfy legal requirements or financial management objectives.

Internal Service Funds: Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit on a cost reimbursement basis.

Local Cost: Local cost is the amount contributed by the county general fund from its general revenue sources to finance the activities of a department.

Memorandum of Understanding (MOU): For budget purposes, the MOU refers to an approved labor agreement between the County and an employee labor organization that details the salary, benefits, and other conditions of employment.

Mid-year Adjustments: Board approved changes to a department's budget after the adoption of the final budget.

Operating Transfers In/Out: A method of providing financing from one fund to another for the implementation of a project or program.

Other Charges: A category of accounts established for expenditures other than salaries and benefits, services and supplies, and fixed assets. Example: In Home Supportive Services.

Proposed Budget: The working document of the fiscal year under discussion. Approval of this document does not allow expenditures for fixed assets and for new permanent employee positions unless specifically approved by the Board of Supervisors.

Proposition 172: A permanent extension of a half-cent Local Public Safety Sales Tax approved by California voters on November 2, 1993. Proceeds of this sales tax must be dedicated to public safety.

Public Service Employee (PSE): PSEs are employees assigned to entry level positions in a variety of fields and occupations for a limited duration. They are not full regular county employees and are subject to an expedited recruiting process to accommodate additional workload or to handle one-time special projects. They do not receive the full range of benefits, nor have the civil service status of regular county employees.

Realignment Funding (Health & Welfare): In 1991-92 the state approved the Health & Welfare Realignment Program which involves a shift of program responsibilities from the state to the counties. This shift is funded through corresponding shift of dedicated Sales Tax and Vehicle License Fee revenue.

Reimbursements: Amount received as a repayment of the cost of work, or service performed, or of other expenditures made for or on behalf of another governmental unit or department. Reimbursements represent the recovery of an expenditure.

Revenue: The addition of cash or other current assets of governmental costs funds (receipts) which do not increase any liability or reserve and do not represent the recovery of an expenditure, i.e., reimbursements. Generally, revenue is derived from taxes, licenses and fees or investment earnings. Revenues are deposited in a fund for future appropriation.

Risk Management Liabilities: Liability insurance charges, such as general liability, auto liability, property and fire liability insurance billed to county departments from the Risk Management internal service fund.

SB 90 State-Mandated Local Program: State reimbursements to local governments for the cost of activities required by State legislative and executive acts.

Special Revenue Funds: Special Revenue Funds account for the proceeds of specific sources that are legally restricted to expenditures for specific purposes.

Transfers: The movement of resources from one fund to another usually for payment of services received.

Vacancy factor: Many departments use a vacancy factor in the budget to estimate employee turnover and periods when departments will not incur the full cost of a position. Positions where specific knowledge of turnover can be predicted are budgeted as such, but during the normal course of business there are many positions that might unexpectedly go unfilled due to delays in hiring or an employee vacating a position. The department handles these unforeseeable vacancies by budgeting a “vacancy factor,” which represent the normal turnover in the system.

Example: A department has 20 full time positions. It is not known that any of the incumbents will leave during the year, but, experience indicates that on average one of the twenty positions will be in a state of turnover at any given time. Because the vacancy does not relate to a specific position, the department will budget 1.0 position as a vacancy factor resulting in the department having 20 approved positions and 19.0 budgeted positions. In this way they can avoid over budgeting for salaries.